

# Impact Of The Covid 19 Pandemic On Micro, Small And Medium Enterprises (Msmes) Performance: A Study In Indonesia

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## Abstract

This study aims to analyze the impact of the COVID-19 pandemic on the existence of MSMEs in Indonesia and how solutions can help MSMEs survive in the COVID-19 pandemic situation. In this writing, the researcher uses library research, namely in the data collection process, it is not necessary to go into the field directly but take various reference sources that support this research. This research is a qualitative research type. The data collection technique is listening and recording important information in conducting data analysis by means of data reduction, data display and conclusion drawing so that: get an overview of the conclusions regarding the study of literature to be developed in this study and for data validation using triangulation of data sources. The impact of the Covid-19 outbreak on the economy has been experienced by all countries in the world, including Indonesia, which has experienced a fairly large economic impact. MSMEs in this case are the hardest hit in this crisis, paying attention to the contribution of MSMEs to the number of business units, the contribution of GDP, labor absorption, exports and investment to the economy in Indonesia which is very large. The government policies are also divided into various short, medium and long term strategies, including in the short and urgent term, the government focuses on reducing the addition of COVID-19 fatalities with an emphasis on health sector stimulus and welfare assistance for the affected people, and to The medium-term policies include ensuring the business world to operate, maintaining the continuity of the logistics sector and encouraging the independence of the medical device industry, while the long-term strategy is focused on the introduction and use of digital technology for MSMEs as well as preparation for entering the Industrial era

**Keywords:** Covid 19, Pandemic, Performance, UMKM :, Indonesia.

## Introduction

The Corona virus pandemic is not just a health disaster, the virus known as Covid-19 has caused chaos in the economic sector. Not only big industries, the Corona virus pandemic has made SME players in Indonesia start to get nervous. A study states that Covid-19 caused Indonesia to experience a decrease in the percentage of economic growth by 0.1% in 2020. In general, the following are the real impacts caused by Covid-

19 on the SME sector in Indonesia. The current COVID-19 pandemic provides impact on various sectors. According to Ojong et al. (2021); Pedauga et al. (2022) At the global economic level, the COVID-19 pandemic has had a significant impact on the domestic economy of nation-states and the existence of MSMEs. The Organization for Economic Co-operation and Development (OECD) report states that this pandemic has implications for the threat of a

fairly large economic crisis which is marked by the cessation of production activities in various countries, falling levels of public consumption, loss of consumer confidence, the collapse of the stock market which ultimately leads to uncertainty. 1. The OECD predicts that output levels will fall by between one-fifth and one-quarter in many countries, with consumer spending potentially falling by around one-third. This prediction also threatens Indonesia's national economy. According to Nurunnabi et al. (2020); Ojong et al. (2021); Pedauga et al. (2022) stated that there are three implications for Indonesia regarding the COVID-19 pandemic, namely the tourism, trade and investment sectors. Indonesia, which is dominated by the existence of Micro, Small and Medium Enterprises (MSMEs) as the backbone of the national economy, is also seriously affected not only in terms of total production and trade value but also on the number of workers who have lost their jobs due to this pandemic.

Data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUKM) shows that in 2018 there were 64,194,057 MSMEs in Indonesia (or about 99 percent of the total business units) and employed 116,978,631 workers (or around 97 percent of the total workforce). work in the economic sector). The purpose of this study is to analyze the impact of the COVID-19 pandemic on the existence of MSMEs in Indonesia and how solutions can help MSMEs survive in the COVID-19 pandemic situation. The World Health Organization (WHO) explains that Coronaviruses (Cov) are viruses that infect the respiratory system. This viral infection is called COVID19. Corona viruses cause illness from the common cold to more severe illnesses such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). This virus spreads quickly and has spread to several countries, including Indonesia. A person can

contract COVID-19 in various ways, namely: 1. Accidentally inhaling saliva splashes from a sneeze or cough of a COVID-19 patient 2. Holding the mouth or nose without washing hands first after touching an object that has been splashed with saliva from a COVID-19 patient. 3. Close contact with people with COVID-19, for example touching or shaking hands.

In Indonesia, the spread of this virus began on March 2, 2020, allegedly starting from an Indonesian citizen who made direct contact with foreign nationals. Over time, the spread of COVID-19 has experienced a significant increase. This can be seen from the following data. Currently, 7,775 people have been infected with Covid-19 in Indonesia and 960 people have recovered and 647 people have died. This teaches us to be careful in maintaining cleanliness and also obeying government regulations so that this pandemic ends quickly from our country. Indonesia. And when we see the biggest spread of covid-19 is on the island of Java, especially in the Surabaya and Jakarta areas, here we can see that there is a lack of public awareness in responding to the pandemic or covid-19 that is happening so that there are still many people who are still not wearing masks, still gathering in the Keramas. , and not doing social distancing so that the government should be more assertive in dealing with people who do not have awareness, and the need for mutual awareness to break the spread of covid-19 so that it can end soon and our lives can go on as usual again.

## Method

This study aims to analyze the impact of the COVID-19 pandemic on the existence of MSMEs in Indonesia and how solutions can help MSMEs survive in the COVID-19 pandemic situation. In this writing, the researcher uses library research, namely in the data collection process, it is not necessary to go into the field directly but take various reference sources that support this

research. This research is a qualitative research type. The data collection technique is listening and recording important information in conducting data analysis by means of data reduction, data display and conclusion drawing so that: get an overview of the conclusions regarding the study of literature to be developed in this study and for data validation using triangulation of data sources.

### **Result and Discussion**

In facing the economic and business challenges due to the COVID-19 pandemic, various types of approaches are needed, including a macro approach through government policies and a micro approach through business management of MSMEs. In the macro approach, namely through government policies. According to Ali et al. (2021); Belas et al. (2021) Timing and speed are very important. Withdrawing economic and business support measures too quickly can lead to massive failures for companies and weaken competition, but on the other hand, prolonged economic and business support can result in distortions, reduce incentives to adapt and innovate, and trap resources in activities. which is not productive. Second, governments must ensure that corporate flows in and out are gradual and continued in a manner that supports inclusive recovery (that is, without further burdening those most affected by the crisis, such as youth, women and migrants). There are opportunities to improve the status of insolvency, facilitate closure of unproductive businesses and proper business restructuring, and increase the ability of entrepreneurs to start new businesses after failure. Because bankruptcy can escalate dramatically, policy reforms should be able to limit the negative effects and reduce personal costs for honest failed entrepreneurs. All of this requires developing criteria for assessing which MSMEs should receive support during recovery and transition to new business models. Applying traditional criteria to identify “decent” businesses

– such as recent balance sheet data or credit history – may not work as well. For example, leveraging the development of Fintech and digital tools for more effective credit risk assessment, service delivery and comprehensive monitoring can help overcome the limitations of traditional approaches to business financing in times of unprecedented uncertainty. So far, the government has not utilized this instrument effectively. In addition, non-debt financing instruments should be used more to address the more diverse needs of the MSME population and strengthen their capital structure (eg equity, mezzanine financing, leasing or factoring). Third, government support must reach entrepreneurs and MSMEs who can increase economic and community resilience in the post-COVID era.

Innovative start-ups, entrepreneurship and new business models must be promoted. At the same time, traditional MSMEs that are largely disappearing and micro-enterprises struggling to benefit from the digital transition must accelerate digitalization and technology adoption, organizational change and skills upgrading. Out of the crisis, MSMEs must emerge digitally better equipped and with a strengthened workforce capability. Few policy initiatives aim to increase the long-term resilience of established businesses and the growth potential of MSMEs. For example, Korea and Ireland have acted to help small businesses adopt new work processes, accelerate digitization and find new markets. Such structural support measures, together with smart requirements, should be included in the next phase of the policy response. As for the effort to deal with the COVID-19 pandemic, according to Caballero et al. (2021); Dai et al. (2021) so that the government can divide the focus of handling the COVID-19 pandemic from an economic perspective into two main periods, namely the short and urgent period and the medium term period. In the short and urgent period, the government will focus on reducing the

additional COVID-19 death toll with an emphasis on health sector stimulus and welfare assistance for the affected people. There are two parties that need the government's attention, namely: workers or households and companies or industries. The government is also recommended to pay special attention to industries that have difficulty paying credit/installments, especially MSMEs and industries that have been most affected by the recent downturn in the economy (handicrafts, textiles, restaurants, hotels, entertainment industry, e-commerce), gig-economy). The banking sector will also face liquidity problems and bad loans

To maintain the sustainability of the food, food and beverage sector. Then, the government is able to ensure the creation of strengthening domestic industries, especially the medical device industry in anticipation of the outbreak of a pandemic in the future. If the policy on the supply side has been taken, the next medium-term policy focus that can be taken by the government is efforts to recover aggregate demand. Elimination of taxes such as VAT and PPh after the pandemic will help boost demand. In addition, the government must provide a stimulus to households to consume manufactured goods, and the service sector such as restaurants, hotels and tourism as well as transportation and aviation. On a micro basis through company policies, in order to reorganize the weakening economic conditions of MSMEs or the recession due to Covid-19, it is necessary to manage the business cycle in a Business Cycle Management considering that the business environment is very dynamic so it must always be evaluated and improved on its business cycle so that the business can survive and be able to survive. continue to develop in ways, namely (1) Creating change as an opportunity to achieve success, (2) Seeing differences between people or phenomena as opportunities not difficulties, (3) Experimenting to find renewal towards business

growth, (4) Becoming an expert for your own business, (5) Be a servant to others and have a humble nature. With the ability to manage the business cycle, a company must be able to grow and develop in the long term by taking into account factors including 1. Strategic Intent (Unity of Vision and Mission) 2. Decision Maker (Quick and Right Decision Making), 3. Funding (Management). Planned Finance), 4. Business Plan (Business Planning), 5. Team Management, 6. Execution, 7. Timing (The Right Time to Start a Business). Managing the business cycle through the process of planning, organizing, using organizational resources and with planning and organizing must pay attention to the business cycle in 4 periods, namely 1. The Peak of the Cycle (Prosperity) 2. Recession (Slump), 3. Trough (The Worst Depression) 4 Recovery (Expansion) which can describe the classification of business types with business fields or business opportunities post-covid-19 so that MSME business players can identify the type of business according to the business cycle experienced during the COVID-19 pandemic and take appropriate action according to the type of business.

Several entrepreneurs assessed how the emerging needs related to the COVID-19 business crisis could affect their business and took appropriate action, taking into account also several competitive aspects such as scenario planning, stakeholder analysis, strategy development, external and internal communications. Several indicators can be used in a company to evaluate its reactive capacity and understand the possible impact of digital change to mitigate the negative effects of the COVID-19 crisis. Once the theoretical background is clear, and once the external and internal status analysis has been carried out, SMEs should reflect on their own business model. Digital transformation doesn't just mean introducing new technologies to perform existing activities: it's a process of

redesigning entire business models. In order to support entrepreneurs' efforts in implementing new business models and digital transformation in their businesses, it is important for the government to make structural policies for the long-term interests. This policy is not only used to deal with the COVID-19 pandemic but also the Industry 4.0 era in the future. This policy includes short-term policies for MSMEs, namely the introduction of digital technology and training for MSME actors and workers as well as long-term policies for MSMEs to adapt to the use of technology for the production process, the use of Information on Trade in the Extractive Services Industry, Real Estate, Business Opportunities, Prosperity. management can be developed and maintained Economic Recession Business opportunities need to be improved Management Trench (Severe Depression) Business opportunities need recovery and management improvement Recovery (Expansion) Business opportunities need to be restored / expanded and management improved to the maximum Type of Business Business Cycle Indicator 152 Abdurrahman Firdaus Thaha media digital technology to promote MSME products, and find potential markets for the products produced. In the short term, there is a need for assistance for MSME actors to be able to take advantage of e-commerce media (online shopping) to sell their products. Data from the Central Statistics Agency shows that in 2018 only 3.79 million MSMEs (or around 8 percent) utilized online platforms to market their products. . Then, the short-term policy was followed by a long-term policy. The government can start by making a roadmap for the development of MSMEs in facing the Industrial 4.0 era, starting from retraining MSME workers to adapt to the use of new production technology and digital technology, developing telecommunications infrastructure and internet programs entering villages, involving the world of academia and big businesses. in assisting the introduction and use of production technology

and digital media, as well as reviving the partnership program for large businesses and MSMEs. This structural policy is carried out to support the strengthening of MSMEs as well as support the development of MSMEs in the Industry 4.0 era. Supporting policies should take into account differences between sectors to be more relevant to their specific needs; they also need to be more transparent if they want to provide subsidies directly to private entrepreneurs, they aim to help overcome the crisis.<sup>9</sup> Meanwhile, digital transformation follows the emergence of new digital skills and adoption of digital tools. It is a transformational process that requires reorganizing the previous business model to make room for new, more effective and efficient practices.

### **Conclusion**

The impact of the Covid-19 outbreak on the economy has been experienced by all countries in the world, including Indonesia, which has experienced a fairly large economic impact. MSMEs in this case are the hardest hit in this crisis, paying attention to the contribution of MSMEs to the number of business units, the contribution of GDP, labor absorption, exports and investment to the economy in Indonesia which is very large. The government policies are also divided into various short, medium and long term strategies, including in the short and urgent term, the government focuses on reducing the addition of COVID-19 fatalities with an emphasis on health sector stimulus and welfare assistance for the affected people, and to The medium-term policies include ensuring the business world to operate, maintaining the continuity of the logistics sector and encouraging the independence of the medical device industry, while the long-term strategy is focused on the introduction and use of digital technology for MSMEs as well as preparation for entering the Industrial era. During the COVID-19 pandemic, where there is no certainty when the pandemic

will end, MSMEs as business entities must be able to manage business cycle management by taking into account the categories of business types in 4 business cycles, 1. Cycle Peak (Prosperity) 2. Recession (Slump) , 3. Trench (Most Severe Depression) 4. Recovery (Expansion). By properly managing business cycle management and changing business models and digital transformation by adjusting to the conditions of the COVID-19 pandemic, it is hoped that the MSME company's strategy can be successful in overcoming the challenges. Finally, the synergy between the government's macro policies and the company's micro policies is expected to help MSMEs in overcoming the challenges of facing the COVID-19 pandemic crisis.

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